

A NEW ERA OF RESPONSIBILITY: RENEWING AMERICA'S PROMISE

The U.S. Department of Health and Human Services 2010 Budget

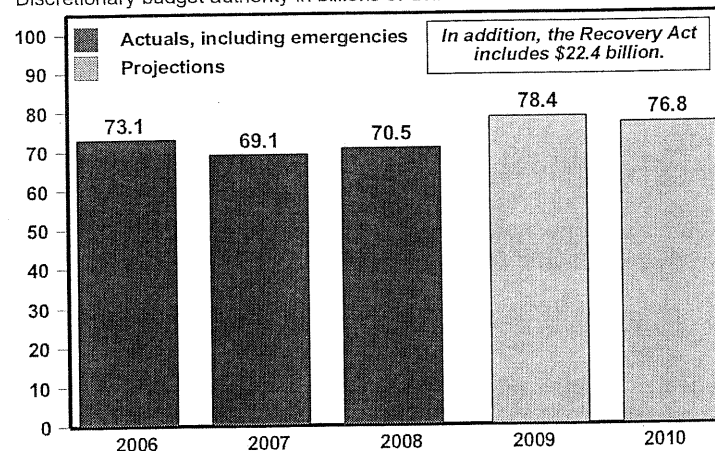
"We can go another four years with a broken health care system that's leaving millions uninsured, driving millions more to financial ruin, and making it harder for manufacturers to compete; or we can finally solve our health care crisis once and for all. We can guarantee health care for anyone who wants it, make it affordable for anyone who needs it, and cut costs for businesses and their workers."

-- President Barack Obama

The Budget lays the groundwork for comprehensive reform of the American health care system, most notably by setting aside a reserve fund of over \$630 billion during 10 years to help finance health reform. The reserve fund is financed by re-balancing the tax code and achieving health care savings in three areas: aligning incentives toward quality, promoting efficiency and accountability, and encouraging shared responsibility. Even before this Budget was released, the Administration took major steps to bring the Nation closer to comprehensive health reform. In one of his first official acts, the President signed into law the reauthorization of the Children's Health Insurance Program (CHIP), which provides coverage for an additional four million uninsured children in CHIP and Medicaid by FY 2013. In addition, investments were included in the Recovery Act designed to help slow health care spending growth -- which is the key driver of the nation's overall long-term fiscal gap. Specifically, the Recovery Act puts us on a path to modernize the health care system and to deliver better care while reducing unnecessary costs by investing in electronic medical records, improved information on what treatments and tests work best -- so-called comparative effectiveness research -- and an historic \$1 billion investment in prevention. The Budget builds on these investments and also supports families by providing additional funding for affordable, high-quality child care, expanding Early Head Start and Head Start, and creating the Nurse Home Visitation program to support first-time mothers.

Department of Health and Human Services

Discretionary budget authority in billions of dollars



Note: Amounts appropriated to the Social Security Administration (SSA) from the Hospital Insurance and Supplementary Medical Insurance accounts are included in the corresponding table in the SSA chapter.

The U.S. Department of Health and Human Services Budget Highlights

MORE EFFECTIVE HEALTH CARE

Makes a down payment on health care reform. The Budget establishes a reserve fund of more than \$630 billion during 10 years for a reserve fund to finance fundamental reform of our health care system to bring down costs and expand coverage. The reserve fund is offset equally by new revenue and savings proposals that promote efficiency and accountability, align incentives toward quality, and encourage shared responsibility.

Accelerates the adoption of health IT. Building on the historic \$19 billion investment in the Recovery Act, the Administration will continue efforts to further the adoption and implementation of health information technology -- an essential tool to modernize the health care system.

Strengthens the health professions workforce. The Budget invests \$330 million to address the shortage of health care providers in certain areas.

Lowers drug costs and improves food and medical product safety. The Budget helps Americans to buy safe and effective drugs from other countries, establishes a new regulatory pathway to approve generic medicines, and strengthens efforts to make food and medical products safer.

Enhances HIV/AIDS Prevention and Treatment. The Budget increases resources to detect, prevent, and treat HIV/AIDS domestically, especially in underserved populations.

STRONGER MEDICARE AND MEDICAID

Strengthens program integrity. The Budget dedicates additional resources that will initially be targeted to improving oversight and integrity activities for the Medicare Prescription Drug Program (Part D), Medicare Advantage, and Medicaid.

Improves Medicare's sustainability. The Budget strengthens Medicare by encouraging high-quality and efficient care, and reducing excessive payments, working toward long-term sustainability so that beneficiaries can continue to rely on this critical program.

Expands the Medicare and Medicaid research agenda. New funding broadens Medicare and Medicaid research including new pilot projects to evaluate payment reforms, provides higher quality care at lower costs, and better aligns provider payments with costs.

FUNDING FOR IMPORTANT RESEARCH

Supports Americans with Autism Spectrum Disorders. The Budget provides \$211 million in HHS for research into the causes of and treatments for autism spectrum disorders (ASD), treatment, screenings, public awareness, and support services.

Being the doubling of funding for cancer research. The Budget includes \$6 billion for the National Institutes of Health (NIH) to support cancer research, central to the President's sustained, multi-year plan to double cancer research.

SUPPORT FOR FAMILIES AND YOUTH

Provides energy assistance to low-income families. The President's plan invests \$3.2 billion for the Low-Income Home Energy Assistance Program (LIHEAP) to help low-income families with their home heating and cooling expenses.

Los Angeles Times

<http://www.latimes.com/features/health/policy/la-na-health-care26-2009feb26,0,3655242,full.story>

From the Los Angeles Times

Obama plans 'down payment' on healthcare overhaul

The president proposes new taxes on wealthier Americans to help expand access to the 47 million uninsured.

By Noam N. Levey

February 26, 2009

Reporting from Washington — Making good on populist rhetoric he has employed since he was a candidate, President Obama plans to begin paying for a healthcare overhaul with \$634 billion in new taxes on wealthy Americans and by changing the way the government pays for some health services, administration officials said Wednesday.

Among other changes to the nation's healthcare system, the money could help defray the staggering costs of insuring the more than 47 million people in America without health coverage, a centerpiece of Obama's agenda.

Obama's plan does not lay out details for expanding access to health insurance, in deference to senior Democrats in Congress who are at work on legislation to do that. Nor will the president weigh in on proposals under discussion to require that every American obtain health insurance, and to create a new public insurance program to compete with private insurers.

Rather, the president's proposal to raise revenue is intended to signal his seriousness about moving the talks forward on Capitol Hill, said an administration official who was not authorized to speak on the record. Another official called the proposal a "substantial down payment on reforming the healthcare system."

By relying heavily on new taxes, the president is also sending a potentially controversial signal that he is willing to ask wealthier Americans to help foot the bill for his healthcare agenda.

An outline of the plan will become public today, when Obama releases a summary of his first federal budget.

In a separate proposal, Obama's budget will call for tax relief for most Americans using new money raised from polluting industries.

Under the president's plan, the federal government would raise money by auctioning off carbon emissions permits, using the revenue to help extend tax credits of \$400 per individual and \$800 for couples that were included in the just-passed stimulus bill, but which expire after 2010.

The permits would give companies the right to exceed the caps that Obama wants to impose on certain emissions, part of a plan to address global warming.

The president's healthcare funding plan follows his promise Tuesday night, during his address to a joint session of Congress, to forge ahead with sweeping changes to the healthcare system despite the economic crisis.

Obama has already signed legislation dedicating more than \$170 billion in new federal healthcare spending for children's health coverage, public insurance programs for the poor, health information technology and disease research.

Obama's other goals, such as a broad expansion of health insurance coverage, would cost even more.

The president and his allies on Capitol Hill have talked of spending money on new initiatives that would make the healthcare system more efficient, such as incentives to reduce duplicative and unnecessary care.

But many analysts say the federal government will have to continue to increase spending for years to come before it begins to reap any savings from a redesigned system.

The healthcare system is "a big ship that's not moving that fast, but it is very big and it's very hard to turn," Congressional Budget Office Director Douglas W. Elmendorf told the Senate Finance Committee on Wednesday.

About half of the money that Obama wants to raise for a healthcare overhaul would be generated through changes in the way that the wealthiest Americans itemize deductions for charitable donations, state taxes or interest payments on a home.

Under the president's proposal, joint filers making more than \$250,000 a year would only recoup 28% of the value of qualified deductions, rather than higher percentages laid out under current law.

That could mean a couple in the 35% tax bracket who once could have recouped \$3,500 of a \$10,000 donation to a charity would now recoup only \$2,800.

The White House estimates the change would generate about \$318 billion over 10 years.

The remaining money in the president's plan would be generated largely from changes in the way the federal government pays for healthcare through Medicare and Medicaid, its two primary public insurance programs.

By creating a new competitive bidding process, Obama plans to cut payments to insurance companies that currently contract with the federal government to provide care to senior citizens on Medicare.

Studies have found that this program -- known as Medicare Advantage -- ends up costing the government substantially more than the traditional fee-for-service program, making it a favorite target for congressional Democrats, who have called it a giveaway to industry.

A new bidding process could generate more than \$170 billion over the next decade, according to the administration.

The president also wants to speed federal approval of generic drugs derived from biological rather than chemical processes -- known as biologics -- a move that could save money for public and private insurance.

And he is proposing new systems intended to encourage better and more cost-effective care, in part by reducing government reimbursements to hospitals with high readmission rates.

Obama's cost-cutting plans risk substantial opposition from industries that count on the federal government to pay their bills.

On Wednesday, the proposal was received warily by health insurers, who said changes in Medicare would hurt seniors.

"This proposal asks seniors to pay a disproportionate share of the cost of healthcare reform," said Robert Zirkelbach, a spokesman for America's Health Insurance Plans, the industry's Washington-based lobbying arm.

Chip Kahn, who heads the Federation of American Hospitals, said he would review the potential effects of the president's plans.

"The devil really is in the details," said Kahn, expressing hopes that hospitals would be able to work with lawmakers on the incentive system contemplated by the administration.

A spokesman for the Pharmaceutical Research and Manufacturers of America was equally cautious.

On Capitol Hill, Republicans are almost certain to oppose the tax hikes proposed by Obama.

"Everyone agrees that all Americans deserve access to affordable healthcare, but is increasing taxes during an economic recession . . . the right way to accomplish that goal?" asked House Minority Leader John A. Boehner (R-Ohio).

noam.levy@latimes.com

Peter Nicholas in our Washington bureau contributed to this report.

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